

Public Service Commission of Wisconsin
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AGREEMENT FOR MERGER SETTLEMENT

Wisconsin Energy Corporation (“WEC”), Integrys Energy Group, Inc. (“Integrys”), Wisconsin Public Service Corporation (“WPS Corp”), Michigan Gas Utilities Corporation (“MGUC”), and Wisconsin Electric Power Company (“Wisconsin Electric”) (WEC, Integrys, WPS Corp, MGUC and Wisconsin Electric collectively referred to as “Joint Applicants”) filed a Joint Application/Request (“Joint Application”) with the Michigan Public Service Commission (“Commission”) in Case No. U-17682, requesting, among other things, all required approvals in connection with the transfer of control of WPS Corp and MGUC from Integrys to WEC, pursuant to an Agreement and Plan of Merger, as fully described in the Joint Application (“Proposed Transaction”), pursuant to which WEC will acquire the outstanding shares of Integrys in a stock and cash transaction. On August 15, 2014, WEC and Integrys filed an application with the Federal Energy Regulatory Commission (“FERC”) in Docket No. EC14-126 for authorizations required to consummate the Proposed Transaction.

As reflected by the number of intervenors, the scope of issues which have been and continue to be the subject to discovery requests and prehearing motions, etc., in the cases identified above; and the discussion of other proceedings and transactions set forth below, the State of Michigan, through the Governor’s office, Attorney General Bill Schuette (“Attorney General”), the Commission Staff (“Staff”), Tilden Mining Company L.C. and Empire Iron Mining Partnership (collectively, the “Mines”), Joint Applicants, Upper Peninsula Power Company (“UPPCo”) have

engaged in discussions with the goal of addressing concerns regarding electric reliability and affordability in the Upper Peninsula of Michigan, including the future of the Presque Isle Power Plant (“PIPP”) and System Supply Resource (“SSR”) expenses. As incorporated into the terms of Agreement set forth below, the primary objectives of this Agreement include the creation of a market structure in which PIPP is transferred to and owned by UPPCo and operated primarily to provide service to that utility’s retail customers (including the “Mines”); and the termination of the existing SSR agreement and expenses¹, effective no later than upon such transfer. In addition to reaching the agreements set forth herein, WEC, the Mines, UPPCo and another interested person have also reached several agreements in principle (identified as Term Sheet Between Upper Peninsula Power Company and Tilden Mining Company L.C. and Empire Iron Mining Partnership dated January 5, 2015, Term Sheet for Cogeneration Project at the Cliffs Mine in Palmer Michigan dated January 5, 2015, and Wisconsin Electric Power Company-Upper Peninsula Power Company Term Sheet, dated January 5, 2015) that will, among other things: (i) provide for the transfer of PIPP and Wisconsin Electric’s Michigan electric distribution assets, customers and business (“Wisconsin Electric’s Michigan Electric Business”) to UPPCo; (ii) provide for the transfer of WPS Corp’s Michigan electric distribution assets, customers, and business (WPS Corp’s

¹ Numerous filings have been made, orders issued and proceedings are pending at FERC regarding PIPP SSR Agreements and the amount and allocation of PIPP SSR costs and revenues. See *e.g.*, FERC Docket Nos. EL14-34-000; ER14-1242-000, ER14-1243-000, ER14-1242-001, ER14-1243-001, ER14-1243-002, ER14-1243-004, ER14-1243-005, EL14-34-001, ER14-2860-000, ER14-2862-000 and ER14-2952-000.

Michigan Electric Business”) to UPPCo; (iii) provide for the return of the Mines as full-requirements service customers of the new owner of Wisconsin Electric’s Michigan Electric Business pursuant to long-term contracts; and (iv) provide a route to resolve long-term reliability concerns in the Upper Peninsula of Michigan, such that the designation of PIPP as SSR Units is not warranted.

TERMS

By this Agreement, the Parties hereto agree and stipulate as follows:

1. Upon full execution of this Agreement, the Term Sheet Between Upper Peninsula Power Company and Tilden Mining Company L.C. and Empire Iron Mining Partnership dated January 5, 2015, the Term Sheet for Cogeneration Project at the Cliffs Mine in Palmer Michigan dated January 5, 2015, and the Wisconsin Electric Power Company-Upper Peninsula Power Company Term Sheet, dated January 5, 2015, the Joint Applicants, the Attorney General, the Staff, and the Mines, will negotiate and file a settlement agreement in MPSC Case No. U-17682 seeking a Commission order granting approval of the Proposed Transaction, subject to the three conditions enumerated below, and the other relief requested by the Joint Applicants. The parties will use their best efforts to get all intervenors to join or file non-objections to the settlement agreement. The settlement agreement will be based on the agreements reached between the parties reflected in the Term Sheet Between Upper Peninsula Power Company and

Tilden Mining Company L.C. and Empire Iron Mining Partnership dated January 5, 2015, the Term Sheet for Cogeneration Project at the Cliffs Mine in Palmer Michigan dated January 5, 2015, and the Wisconsin Electric Power Company-Upper Peninsula Power Company Term Sheet, dated January 5, 2015. The settlement agreement will request that the Commission order be expressly conditioned on the Joint Applicants' compliance with the following terms:

- (i) The closing of the sale of Wisconsin Electric's Michigan Electric Business to UPPCo contemporaneously with the closing of the Proposed Transaction, and
- (ii) The closing of the sale of WPS Corp's Michigan Electric Business to UPPCo contemporaneously with the closing of the Proposed Transaction; and
- (iii) Termination of the PIPP SSR Agreement between MISO and Wisconsin Electric no later than the closing date of the Proposed Transaction; provided however, that such termination will not prejudice the positions taken by any of the Parties in any proceedings regarding the SSR agreements, or the amounts of or allocation of SSR expenses and credits for operations conducted and service provided prior to the closing date of the sale of Wisconsin Electric's Michigan Electric Business.

The Attorney General, the Commission Staff and the Mines will not seek or support any other conditions on the granting of Commission approval of the Proposed Transaction.

2. None of the parties to this settlement will challenge the Commission's order in U-17682 approving the settlement in any way, including, but not limited to, challenging the lawfulness of the conditions provided in the Commission's order or the adequacy of the record to support the Commission's order. In addition, the parties to the settlement will defend the Commission's order in U-17682 against any challenge by third parties.

3. Within five (5) business days of full execution of this Agreement, the Governor, Attorney General and the Mines will: (a) each file a letter in FERC Docket No. EC14-126 stating that they have no objection to FERC's approval of the Proposed Transaction; and (b) refrain from taking any action at FERC seeking to oppose, otherwise condition or delay consummation of the Proposed Transaction.

4. If the Mines return to full requirements utility service prior to the sale of Wisconsin's Electric's Michigan Electric Business to UPPCo, Wisconsin Electric agrees to provide such full requirements service to the Mines pursuant to the rates and terms of Rate CpLC, and if and for as long as the Mines are full requirements service customers of Wisconsin Electric then Wisconsin Electric agrees to satisfy the commitments and operations of

the Load Modifying Resource associated with each Mine to the Midcontinent Independent System Operator, Inc. for the balance of the Planning Year.

5. The Attorney General and Staff shall not take any position in any proceeding requesting regulatory approval of the transfer of Wisconsin Electric's or WPS Corp's Michigan Electric Business as provided for in the Wisconsin Electric Power Company-Upper Peninsula Power Company Term Sheet, dated January 5, 2015.

6. The Attorney General, the Commission Staff and the Mines will not object to or oppose the reasonableness of the current tariff provisions and base rates of Wisconsin Electric and WPS Corp. for utilization by UPPCo upon acquisition of the Wisconsin Electric and WPS Corp. Michigan Electric Businesses, or take any action or position seeking to reduce such rates on a total utility basis, in any Commission proceeding for a period of at least 12 months after the acquisition date. The parties acknowledge that the intended date for a new rate filing that would better reflect the new utility's structure is a matter that is likely to be addressed in final binding agreements prior to the acquisition taking place, and may differ from the 12 month period. This provision does not prevent the Attorney General, the Staff, or the Mines from maintaining their positions in currently pending proceedings involving Wisconsin Electric or WPS Corp, or from taking any position in a rate case filed by UPPCo after the acquisition of Wisconsin

Electric's Michigan Electric Business and WPS Corp's Michigan Electric Business, unless otherwise agreed to by those parties.

7. This Agreement is expressly conditioned upon: (a) WEC entering into a binding agreement to sell Wisconsin Electric's Electric Distribution Business and WPS Corp's Electric Distribution Business to UPPCo upon reasonable terms and conditions; and (b) the Mines entering into a binding agreement with UPPCo for electric service upon reasonable terms and conditions.

GENERAL PROVISIONS

A. This Agreement is entered into for the sole and express purpose of reaching a compromise among the named Parties. All offers and discussions relating to this Agreement are, and shall be considered, privileged under MRE 408.

B. This Agreement is for the purpose of facilitating a final resolution of Commission Case No. U-17682 and FERC Docket No. EC14-126, and all provisions of the Agreement are dependent upon all other provisions contained therein.

C. If any Party to the Agreement breaches any provision of this Agreement for Merger Settlement, the non-breaching Party must provide written notice of the alleged breach. If the alleged breach is not cured within 30 days following receipt of the notice, the non-breaching Party may pursue any available remedy. The non-breaching Party is entitled to an award of all attorney fees and costs incurred in seeking a remedy to the breach.

D. This Agreement constitutes the entire agreement between the Parties with respect to the subject matter and may only be amended in writing, signed by the authority representatives of the Parties. There are no oral or written collateral representations, agreements, or understandings except as provided in this Agreement.

E. The waiver or failure of any Party to exercise any rights under this Agreement shall not be deemed a waiver of any right or any future rights.

F. This Agreement may be executed in one or more counterparts. All executed counterparts are deemed to be one and the same instrument, provided that counsel for the Parties will exchange among themselves original signed counterparts. Facsimile signatures will be accepted. Any executed counterpart will be admissible in evidence to prove the existence and contents of the Agreement.

G. In the event of any dispute arising under this Agreement, venue shall be proper only in a court of competent jurisdiction located in Michigan.

H. The parties agree that they will work together on public communications.

I. The Parties have cooperated in the drafting and preparation of the Settlement Agreement. The Agreement shall not be construed against any Party on the basis that the Party was the drafter or participated in the drafting.

The undersigned Parties approve this Agreement.

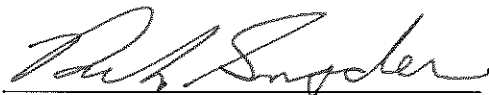
WISCONSIN ENERGY CORPORATION, and
WISCONSIN ELECTRIC POWER COMPANY

Dated: January 12, 2015

By: _____

GOVERNOR RICK SNYDER

Dated: January 12, 2015

By: 

ATTORNEY GENERAL BILL SCHUETTE

Dated: January 12, 2015

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TILDEN MINING COMPANY L.C. and
EMPIRE IRON MINING PARTNERSHIP

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MICHIGAN PUBLIC SERVICE
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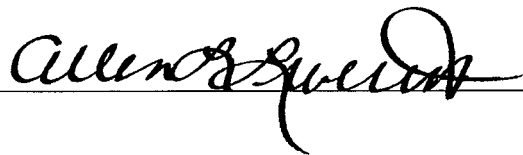
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